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Directive No. 14 Comments to OMB 2019-0002-0001
Request for Comment on the Consumer Inflation Measures Produced by Federal Statistical Agencies

June 20, 2019

Ms. Nancy Potok
Chief Statistician of the United States
Office of Management and Budget
725 17th Street, NW
Washington, DC 20503
Statistical_Directives@omb.eop.gov

Dear Ms. Potok:

I am writing on behalf of Missouri Community Action Network in response to the Office of Management and Budget's (OMB) May 7, 2019 Federal Register notice seeking comments on *Consumer Inflation Measures Produced by Statistical Agencies*. As a key expert on poverty in the state of Missouri, the Missouri Community Action Network is well positioned to comment on this issue from a local perspective to OMB.

The Missouri Community Action Network, or Missouri CAN, is the statewide membership association of Missouri's 19 Community Action Agencies, Allies and Supporters united to end poverty by creating a state where all people and communities thrive. Established in 1971, Missouri CAN was developed to serve as the state's lead organization dedicated to addressing poverty. Forty-eight years later, the association remains a steadfast voice for the state's Community Action Network and for the nearly 800,000 Missourians struggling with poverty.

Missouri CAN is committed to addressing the health and well-being of residents throughout all areas of the state. In fact, the Network's 19 Community Action Agencies exist in all 114 Missouri counties and the City of St. Louis to help people achieve economic stability and an overall better well-being in five key indicators of need: economic and family security; education; food and nutrition; health; and housing and energy. Missouri CAN is also part of the nationwide network comprised of the country's 1,000+ Community Action Agencies, all united by a shared anti-poverty mission. Community Action Agencies served more than 15.8 million individuals with low incomes in 2016 alone.

The agencies that comprise the Missouri Community Action Network routinely use data on measures of poverty to develop and expand programs and service delivery strategies that respond directly to the needs of the communities we serve. Community Action Agencies also conduct comprehensive community needs assessments to analyze shifting trends in poverty and local resources and then respond to local changes. Our Network sees first-hand how families and communities are struggling in the current environment.

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Furthermore, the Community Action Agencies in Missouri provide multiple programs that use the Official Poverty Measure to establish eligibility levels for services that would be affected by the proposed change. Under current law, the Secretary of HHS must update the poverty guidelines annually using the CPI-U. These guidelines are based on the poverty thresholds of the previous year and impact several services that Community Action Agencies offer to help Missourians achieve economic stability, including LIHEAP, Weatherization, Head Start, and WIOA Youth Training, as well as access to key safety net services such as Medicaid, CHIP, SNAP, and TANF.

While we appreciate the desire to update the mechanisms used to calculate the Census Bureau's Official Poverty Measure to make it more meaningful, neither the Chained Consumer Price Index for All Urban Consumers (C-CPI-U) nor the Personal Consumption Expenditures Price Index (PCEPI) would adequately or accurately assess the status and well-being of lower-income Missourians. Low-income households purchase goods that experience more inflation on average when compared to households with incomes above the poverty line. Because the C-CPI-U shows a lower rate of inflation compared to the CPI-U, the result is an overall reduction in the poverty threshold. This means fewer individuals and families will qualify for critical programs that tie eligibility to the Federal Poverty Line, including TANF, SNAP, WIC, School Meals, CHIP, Medicaid, LIHEAP, Head Start, Family Planning, and many others. And over time, the proposed use of a lower measure of inflation would reduce or eliminate critical services, including programs that address the very indicators of need that help families and communities thrive – economic and family security; education; food and nutrition; health; and housing and energy.

The Administration has provided no information as part of the Request for Comment that shows how the proposed changes would affect the most economically vulnerable Americans who rely on these programs as a pathway out of poverty. Given that the proposed measures would not accurately reflect how inflation impacts people with low incomes, many working individuals and families will essentially be "defined out" of poverty and denied access to programs vital to helping them achieve economic stability. Additionally, because all levels of government use poverty data when determining allocation of resources, an incorrect count of those in poverty will likely result in the further reduction of support to economically vulnerable populations.

In addition to the concerns noted above, the Missouri Community Action Network strongly believes that any change to the inflationary measure used to establish the Official Poverty Measure should not be undertaken without in-depth research and analysis. The notice in the Federal Register states that OMB is not seeking comments on the impact of the proposed changes. However, before moving forward, it would be prudent for the Administration to conduct additional research and seek further comment on the accuracy of current and proposed measures of poverty and the number of individuals who would potentially lose access to critical services as a result of the change. Areas of the Administration's proposal that merit further investigation include:

1. **The use of measures that do not accurately reflect the true extent of poverty in America's communities.** The experience of Missouri Community Action Network is that working families both below and above the current Official Poverty Measure struggle to meet basic needs of food, affordable housing, and healthcare, negatively impacting family well-being. As mentioned above, recent studies indicate that inflation is increasing at a faster rate for low-income households than for households

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overall. For example, people with low incomes pay a larger percentage of their household budgets on housing costs compared to other income brackets. Department of Labor data shows that the cost of rental housing, the most common source of housing for those with low incomes, has been rising faster than the CPI. Already, inflation measures such as the CPI-U do not adequately account for the fact that low-income households pay a higher proportion of their incomes on necessities such as housing and child care. The costs of these expenses have risen dramatically throughout the past several decades – much faster than wages – making it extremely difficult for working families to gain economic stability. Lowering the calculation of poverty further, using the C-CPI-U or the PCEPI, would make the assessment of need even less accurate.

2. **The potential for direct negative impact on individuals, children, and families through restricted eligibility on programs that serve those most in need.** The proposed change requires research and analysis by experts in the field on how it will impact eligibility for programs and services critical to the well-being of individuals and families with low incomes. The demand for these critical supports already exceeds available resources, a situation that will likely be worsened by the Administration's proposal.
3. **The need to consider other poverty measures.** Numerous studies, such as the National Academy of Science's *Measuring Poverty: A New Approach*, point to problems with current poverty measures. Indeed, the federal government's own Supplemental Poverty Measure (SPM) was developed because existing measures failed to account for costs like child care that affect many families with low incomes. The Administration's proposed change would take a measure that fails to adequately reflect the full range of factors that contribute to poverty and further simplify the calculation by using an indicator that underestimates the impact of inflation on those most in need of support. This will further compound over time as the C-CPI-U lags farther and farther behind the real costs of inflation experienced by individuals and families with low incomes.
4. **The false perception of lower poverty rates will further reduce funding for programs.** An inaccurate count of the number of individuals and families in poverty will have broader effects on human services that constitute an essential investment in the development of individuals and the economy. An artificially low estimate of the poverty rate will inevitably be used to call for further reductions in funding for these important programs. Decreases in federal support will also mean that state and local resources will have to be stretched even further to meet the needs of the working poor and those who can least afford further cuts to vital programs that provide for nutrition, early education, housing, and other essential services.

Given the significant impact the use of the C-CPI-U will have on both the calculations used to determine the number of people in poverty and eligibility for programs, the Administration should conduct additional research on this important issue. This should include a review of the disparate effects of inflation on people with low incomes, estimates of how the proposed changes would affect the number of people defined as living in poverty, the number of individuals and families at risk of losing eligibility for programs, and the effect on service providers.

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For these reasons, **the Community Action Agencies that comprise the Missouri Community Action Network strongly oppose the changes to determining the poverty line presented in the May 7 Federal Register notice and request that further study be given to this important issue.** The focus on consumer inflation fails to account for broader problems with how the Official Poverty Measure is determined as illustrated by the federal government's own work on the Supplemental Poverty Measure and research conducted by numerous national organizations.

Thank you for the opportunity to provide comments on the proposed changes. Please feel free to contact us directly if we can provide any additional information or support for the process. We look forward to working with OMB and the Administration on this critical issue that affects the well-being and economic stability of millions of Americans with low incomes.

Sincerely,

A handwritten signature in black ink that reads "Dawna Fogarty".

Dawna Fogarty, Executive Director
Missouri CAN

On behalf of Missouri's Community Action Network:

- Central Missouri Community Action (CMCA)
- Community Action Agency of Greater Kansas City (CAAGKC)
- Community Action Agency of St. Louis County (CAASTLC)
- Community Action Partnership of Greater St. Joseph (CAPSTJOE)
- Community Action Partnership of North Central Missouri (CAPNCM)
- Community Action Partnership of Northeast Missouri (CAPNEMO)
- Community Services, Inc. of Northwest Missouri (CSI)
- Delta Area Economic Opportunity Corporation (DAEOC)
- East Missouri Action Agency (EMAA)
- Economic Security Corporation of the Southwest Area (ESC)
- Jefferson Franklin Community Action Corporation (JFCAC)
- Missouri Ozarks Community Action, Inc. (MOCA)
- Missouri Valley Community Action Agency (MVCAA)
- North East Community Action Corporation (NECAC)
- Ozark Action, Inc. (OAI)
- Ozarks Area Community Action Corporation (OACAC)
- People's Community Action Corporation (PCAC)
- South Central Missouri Community Action Agency (SCMCAA)
- West Central Missouri Community Action Agency (WCMCAA)

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